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India

Grain and Feed

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Report Highlights:

A mild winter and lack of winter rains are likely to affect 2003 wheat production prospects. Most wheat growing regions are experiencing significantly above normal temperatures this winter, which combined with poor soil moisture could mar crop development.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Mild Winter & Poor Rains Temper Wheat Outlook

A mild winter and lack of winter rains are likely to affect 2003 wheat production prospects. Most wheat growing regions are experiencing significantly above normal temperatures this winter, which combined with poor soil moisture could mar crop development. Rajasthan, a major wheat growing area is western India, is in the grip of a severe drought following the failure of monsoon rains this summer. Early reports indicate a 11 percent decline in India's wheat planted area so far. Wheat planting has also been delayed in many states which could also adversely affect yields. Although it is too early to forecast the crop size, some observers of the Indian wheat scene are forecasting production significantly below the 2002 low output of 71.47 million tons. A return of cold weather and scattered rains in northern India during Christmas time should help to mitigate the situation.

New Rail Car Policy Hits Wheat Exports

According to trade sources wheat exports during November and December were down due to a shift in government policy curtailing allocation of railway cars for exports of grains. Due to non-delivery of wheat at ports caused by a railcar shortage, exporters have incurred heavy demurrage costs. The government has also increased the sales price of wheat for exports by rs. 250 per ton for old crop and rs. 350 per ton for new crop to rs. 4,810 ($99.8) and rs. 4,950 ($102.7) per ton, respectively effective January 1, 2003. However, luster-lost (feed-grade) wheat will continue to be supplied at rs. 3,960 ($82.2) per ton until March 31, 2003. Exporters are quoting prices at $95/metric ton for feed wheat and $120 per ton for good quality wheat (FOB) for shipment after January 1, 2003. According to preliminary official statistics, wheat exports were 299,116 tons in July and 340,947 metric tons in August, and 236,038 tons in September. April - July exports have totaled 1.76 million tons. Bangladesh, Philippines, Indonesia, Malaysia, and Vietnam are major destinations.

Wheat Stocks Still High

Government wheat stocks on November 1 were 33.1 million tons, compared with 35.8 million tons a year ago. Stocks include an estimated 5 million tons of luster-lost wheat (rain-damaged wheat procured from north India, mostly from Punjab, in 2001, which is fit for feed use). In an attempt to dispose off this type of wheat before the quality further deteriorates, the government has reduced the domestic sales price of this wheat by rs. 300 per metric ton to rs. 5,800 ($120.3) per ton, ex-FCI warehouse under the open market sale program and has curtailed sales of better quality wheat. This has caused a shortage of quality wheat to millers, particularly in southern states, who depend largely on government for their wheat requirement during off season. Domestic wheat prices have moved up with the indicative Delhi wholesale market price for milling wheat quoted at rs. 6,800 ($141) per metric ton. The government is supplying the luster-lost wheat for exports at a highly subsidized rate of rs. 3,960 ($82.2) per metric ton, delivered at port, which will remain unchanged up to March 31, 2003. Around 4 million tons of this type of wheat were reportedly exported, and 2 million tons were sold in the domestic market, mostly to flour millers.

Rice Procurement Ahead

Domestic procurement of rice by the government through November was slightly ahead of last year's level at 8.5 million tons, with most of the increase confined to Punjab. Procurement from most other states was below last year's level. Despite early gains, procurement for the entire marketing year is likely to be below last year's record level of 21.3 million tons. Government rice stocks on November 1, 2002 were 20.5 million tons compared with 26.5 million tons a year ago.

Rice Exports Slow

The GOI decided to increase the sales price of rice for exports by rs. 350 per metric ton to rs. 6,260 ($130) per ton for white rice and rs. 6,615 ($137.2) per ton for par-boiled rice effective January 1, 2003. The new crop will command a premium of rs. 250($5.2) per metric ton - rs. 6,510 ($135) for white rice and rs. 6,865 ($142.4) for par-boiled rice. High prices, combined with a shortage of rail cars to move the grain to the port has reportedly slowed down exports to around 150,000 tons in December from over 300,000 per month earlier. According to trade sources, Indian rice from the new crop was being quoted at $145-150 per ton (25% broken), still cheaper than rice from other origins.

Table 1: Government Procurement, Stocks and Off take of Wheat (year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Off take *
Dec 1	34.0 (26.0)			1.5 (0.8)
Jan 1, 2002	32.4(25.0)			1.9 (0.9)
Feb 1	30.2 (24.1)			1.8 (0.9)
Mar 1	28.5 (23.3)	20.6 (16.4) **1/**		1.7 (1.6)
Apr 1	26.0 (21.5)			1.0 (1.0)
May 1	38.1 (29.2)			1.2(1.0)
June 1	41.3 (37.6)			1.5 (0.8)
Jul 1	41.1 (37.5)			1.3 (0.7)
Aug 1	39.7 (38.7)			2.1 (0.8)
Sep 1	37.9 (37.9)			2.3 (1.1)
Oct 1	35.6 (36.8)			2.5 (1.3)
Nov 1	33.1 (35.8)	19.0(20.6) **2/**		

*** Includes exports**

1/ Cumulative procurement : April 1, 2001 - March 31, 2002
2/ Cumulative procurement April 1, 2002 - December 24, 2002

Table 2: Government Procurement, Stocks and Off take of Rice (year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Off take *
Dec 1	25.1 (19.5)			1.3 (0.7)
Jan 1, 2002	25.6 (20.7)			1.8 (0.9)
Feb 1	26.1 (22.4)			1.6 (0.8)
Mar 1	26.0 (23.2)			2.3 (1.0)
April 1	24.9 (23.2)			1.7 (0.7)
May 1	24.5 (22.9)			2.4 (0.8)
June 1	23.4 (22.9)			2.3 (0.8)
July 1	21.9 (22.7)			2.0 (0.9)
Aug 1	20.1 (22.2)			2.4 (1.1)
Sep 1	17.5 (21.6)	20.9 (19.1) **1/**		2.7 (1.5)
Oct 1	15.8 (21.5)			
Nov 1	20.5 (26.5)	8.5 (8.4) **2/**		

*** Includes exports**

1/ Cumulative procurement: October 1, 2001 - September 30, 2002
2/ Cumulative procurement: October 1, 2002 - November 29, 2002